

CITY OF GLADBROOK

**Independent Auditors' Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings**

June 30, 2021

CITY OF GLADBROOK

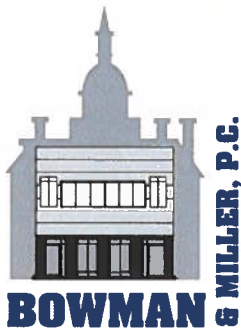
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CITY OF GLADBROOK

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Sash	Mayor	Jan 2024
Roger Luehring	Mayor Pro Tem	Jan 2022
Mark Fink	Council Member	Jan 2022
Steve Willer	Council Member	Jan 2022
Scott Schmidt	Council Member	Jan 2024
Trudi Scott	Council Member	Jan 2024
Jackie Stephenson	Clerk/Treasurer	Indefinite
John Livingston	Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Gladbrook, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Gladbrook, as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gladbrook's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 20 through 27, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2021 on our consideration of the City of Gladbrook's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Gladbrook's internal control over financial reporting and compliance.

Bowman and Miller, P.C.

Marshalltown, Iowa
August 20, 2021

CITY OF GLADBROOK
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2021

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 156,247	37,433	82,346	10,148
Public works	488,353	1,890	141,744	274,607
Health and social services	2,125	-	-	-
Culture and recreation	52,859	1,312	20,120	-
Community and economic development	11,010	-	-	-
General government	103,983	275	20,392	-
Debt service	20,000	-	-	-
Total governmental activities	834,577	40,910	264,602	284,755
Business type activities:				
Water	198,933	222,670	54	-
Sewer	187,616	177,293	2,026	-
City center	55,600	47,216	2,052	-
Fitness center	11,995	12,994	10	-
Total business type activities	454,144	460,173	4,142	-
Total	\$ 1,288,721	501,083	268,744	284,755
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Commercial/industrial tax replacement				
Franchise tax				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(26,320)	-	(26,320)
(70,112)	-	(70,112)
(2,125)	-	(2,125)
(31,427)	-	(31,427)
(11,010)	-	(11,010)
(83,316)	-	(83,316)
(20,000)	-	(20,000)
(244,310)	-	(244,310)
-	23,791	23,791
-	(8,297)	(8,297)
-	(6,332)	(6,332)
-	1,009	1,009
-	10,171	10,171
(244,310)	10,171	(234,139)
285,198	-	285,198
40,722	-	40,722
75,879	-	75,879
4,474	-	4,474
4,790	-	4,790
335	-	335
17,828	-	17,828
429,226	-	429,226
184,916	10,171	195,087
978,417	325,962	1,304,379
\$ 1,163,333	336,133	1,499,466
\$ 190,049	-	190,049
48,190	95,910	144,100
26,558	-	26,558
898,536	240,223	1,138,759
\$ 1,163,333	336,133	1,499,466

CITY OF GLADBROOK
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2021

	General	Special Revenue Road Use Tax	Debt Service
Receipts:			
Property tax	\$ 225,601	-	40,555
Local option sales tax	-	-	-
Other city tax	4,035	-	727
Intergovernmental	120,252	411,342	-
Licenses and permits	5,370	1,890	-
Charges for service	38,603	-	-
Use of money and property	618	-	-
Special assessments	-	313	-
Miscellaneous	23,645	4,696	-
Total receipts	418,124	418,241	41,282
Disbursements:			
Operating:			
Public safety	156,247	-	-
Public works	25,307	463,046	-
Health and social services	2,125	-	-
Culture and recreation	48,919	-	-
Community and economic development	11,010	-	-
General government	103,983	-	-
Debt service	-	-	20,000
Total disbursements	347,591	463,046	20,000
Excess (deficiency) of receipts over (under) disbursements	70,533	(44,805)	21,282
Other financing sources (uses):			
Transfers in	79,390	30,672	25,293
Transfers out	-	-	-
Total other financing sources (uses)	79,390	30,672	25,293
Change in cash balances	149,923	(14,133)	46,575
Cash balances beginning of year	748,613	204,182	1,615
Cash balances end of year	\$ 898,536	190,049	48,190
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	190,049	-
Debt service	-	-	48,190
Other purposes	-	-	-
Assigned for:			
Fire equipment	34,567	-	-
Ambulance	403,378	-	-
Recreational trust	2,115	-	-
Unassigned	458,476	-	-
Total cash basis fund balances	\$ 898,536	190,049	48,190

Nonmajor	Total
58,429	324,585
75,879	75,879
1,047	5,809
-	531,594
-	7,260
-	38,603
186	804
-	313
6,305	34,646
141,846	1,019,493

-	156,247
-	488,353
-	2,125
3,940	52,859
-	11,010
-	103,983
-	20,000
3,940	834,577
137,906	184,916

-	135,355
(135,355)	(135,355)
(135,355)	-
2,551	184,916
24,007	978,417
26,558	1,163,333

-	190,049
-	48,190
26,558	26,558
-	34,567
-	403,378
-	2,115
-	458,476
26,558	1,163,333

CITY OF GLADBROOK
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2021

	Enterprise				
	Water	Sewer	City Center	Fitness Center	Total
Operating receipts:					
Charges for service	\$ 222,670	177,293	47,216	12,994	460,173
Total operating receipts	222,670	177,293	47,216	12,994	460,173
Operating disbursements:					
Business type activities	157,393	101,636	55,600	11,995	326,624
Total operating disbursements	157,393	101,636	55,600	11,995	326,624
Excess (deficiency) of operating receipts over (under) operating disbursements	65,277	75,657	(8,384)	999	133,549
Non-operating receipts (disbursements):					
Contributions	-	-	2,052	-	2,052
Interest on investments	54	26	-	10	90
Land rent	-	2,000	-	-	2,000
Debt service	(41,540)	(85,980)	-	-	(127,520)
Net non-operating receipts (disbursements)	(41,486)	(83,954)	2,052	10	(123,378)
Change in cash balances	23,791	(8,297)	(6,332)	1,009	10,171
Cash balances beginning of year	79,935	145,614	11,993	88,420	325,962
Cash balances end of year	\$ 103,726	137,317	5,661	89,429	336,133
Cash Basis Fund Balances					
Restricted for debt service	\$ 40,330	55,580	-	-	95,910
Unrestricted	63,396	81,737	5,661	89,429	240,223
Total cash basis fund balances	\$ 103,726	137,317	5,661	89,429	336,133

CITY OF GLADBROOK

Notes to Financial Statements

June 30, 2021

Note 1 – Summary of Significant Accounting Policies

The City of Gladbrook is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Gladbrook has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Gladbrook has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Solid Waste Disposal Commission, Tama County Joint E911 Service Board, Region Six Planning Commission and Tama County Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from the general levy and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, City Center Fund accounts for the operation and maintenance of the City's movie theater and Matchstick Marvels museum.

The Enterprise, Fitness Center Fund accounts for the operation and maintenance of the City's fitness center.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

D. Property Taxes and Governmental Cash Basis Fund Balances (continued)

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the public works function prior to amendment of the budget.

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2021

Note 3 – Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2021

Note 3 – Pension Plan (continued)

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$15,394.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$147,413 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.002099%, which was a decrease of 0.000099% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$27,091, \$35,081 and \$19,175, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF GLADBROOK

Notes to Financial Statements (Continued)

June 30, 2021

Note 3 – Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation	
(effective June 30, 2017)	2.60% per annum.
Rates of salary increase	3.25 to 16.25% average, including inflation.
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00% compounded annually, net of
(effective June 30, 2017)	investment expense, including inflation.
Wage growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Health Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	4.43 %
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0 %	

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2021

Note 3 – Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 267,464	147,413	46,780

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 4 – Notes Payable

A summary of changes in notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General Obligation Note	\$ 20,000	-	20,000	-	-
Business-type activities:					
Water Revenue Note	\$ 632,000	-	21,000	611,000	22,000
Sewer Revenue Notes	799,000	-	70,000	729,000	41,000
Business-type activities total	\$ 1,431,000	-	91,000	1,340,000	63,000

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2021

Note 4 – Notes Payable (continued)

Revenue Notes

A summary of the City's June 30, 2021 revenue notes payable is as follows:

Year Ending June 30,	Water			Sewer		
	Issued Oct 5, 2011			Issued July 17, 2015		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2022	3.00 %	\$ 22,000	18,330	1.75 %	\$ 41,000	14,580
2023	3.00	23,000	17,670	1.75	42,000	13,760
2024	3.00	24,000	16,980	1.75	43,000	12,880
2025	3.00	24,000	16,260	1.75	45,000	12,060
2026	3.00	25,000	15,540	1.75	46,000	11,160
2027-2031	3.00	140,000	65,850	1.75	243,000	41,620
2032-2036	3.00	162,000	43,620	1.75	269,000	16,300
2037-2041	3.00	191,000	17,550	1.75	-	-
Total		<u>\$ 611,000</u>	<u>211,800</u>		<u>\$ 729,000</u>	<u>122,360</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 63,000	32,910	95,910
2023	65,000	31,430	96,430
2024	67,000	29,860	96,860
2025	69,000	28,320	97,320
2026	71,000	26,700	97,700
2027-2031	383,000	107,470	490,470
2032-2036	431,000	59,920	490,920
2037-2041	191,000	17,550	208,550
Total	<u>\$ 1,340,000</u>	<u>334,160</u>	<u>1,674,160</u>

The City has pledged future sewer and water customer receipts, net of specified operating disbursements, to repay \$941,754 of a sewer revenue note and \$798,411 of a water revenue note. Proceeds from the notes provided a new sanitary sewer system and a new water tower and water main lines. The notes are payable solely from customer net receipts and are payable through 2041. Annual principal and interest payments on the notes are expected to require 113.6% of net receipts for the sewer note and 63.6% of net receipts for the water note. The total principal and interest remaining to be paid on the notes are \$851,360 for sewer and \$822,800 for water. For the current year, principal, interest and service fees paid and total customer net receipts were \$85,980 and \$75,657 respectively for the sewer notes and \$41,540 and \$65,277, respectively for the water note.

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2021

Note 4 – Notes Payable (continued)

Revenue Notes (continued)

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The note will only be redeemed from the future earnings of the enterprise activity and the note holder hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal of interest payments when due.

Note 5 – Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2021 was \$2,606, primarily relating to the General Fund. This liability has been computed based on rates of pay in effect at June 30, 2021.

Note 6 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 25,293
	Emergency Services	6,545
	Employee Benefits	47,552
		<u>79,390</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>25,293</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	5,379
	Local Option Sales Tax	25,293
		<u>30,672</u>
Total		<u>\$ 135,355</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF GLADBROOK
Notes to Financial Statements (Continued)
June 30, 2021

Note 7 – Risk Management

The City of Gladbrook is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 – Related Party Transactions

The City had business transactions between the City and City officials totaling \$19,029 during the year ended June 30, 2021.

Note 9 – COVID 19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional, and national economies, including that of the City of Gladbrook, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Gladbrook. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Gladbrook.

Note 10 – Date of Management Evaluation

The City has evaluated subsequent events through August 20, 2021, the date which financial statements were available to be issued.

Other Information

CITY OF GLADBROOK
Budgetary Comparison Schedule of Receipts, Disbursements,
and Changes in Balances-Budget and Actual
All Governmental Funds and Proprietary Funds
Other Information
Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 324,585	-
Other city tax	81,688	-
Intergovernmental	531,594	-
Licenses and permits	7,260	-
Charges for service	38,603	460,173
Use of money and property	804	2,090
Special assessments	313	-
Miscellaneous	34,646	2,052
Total receipts	<u>1,019,493</u>	<u>464,315</u>
Disbursements:		
Public safety	156,247	-
Public works	488,353	-
Health and social services	2,125	-
Culture and recreation	52,859	-
Community and economic development	11,010	-
General government	103,983	-
Debt service	20,000	-
Business type activities	-	454,144
Total disbursements	<u>834,577</u>	<u>454,144</u>
Change in fund balances	184,916	10,171
Balances beginning of year	<u>978,417</u>	<u>325,962</u>
Balances end of year	<u><u>\$ 1,163,333</u></u>	<u><u>336,133</u></u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
324,585	312,934	312,934	11,651
81,688	67,134	67,134	14,554
531,594	286,624	307,016	224,578
7,260	8,025	8,025	(765)
498,776	562,160	562,160	(63,384)
2,894	8,200	8,200	(5,306)
313	-	-	313
36,698	4,000	4,000	32,698
1,483,808	1,249,077	1,269,469	214,339
156,247	239,352	239,352	(83,105)
488,353	179,094	513,489	(25,136)
2,125	4,250	4,250	(2,125)
52,859	68,524	68,524	(15,665)
11,010	11,960	11,960	(950)
103,983	102,800	105,200	(1,217)
20,000	60,000	60,000	(40,000)
454,144	554,794	554,794	(100,650)
1,288,721	1,220,774	1,557,569	(268,848)
195,087	28,303	(288,100)	483,187
1,304,379	1,296,470	1,118,802	185,577
1,499,466	1,324,773	830,702	668,764

CITY OF GLADBROOK
Notes to Other Information – Budgetary Reporting
June 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$336,795. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the public works function prior to amendment of the budget.

CITY OF GLADBROOK
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Seven Years*
Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.002099 %	0.002198 %	0.002311 %	0.002300 %
City's proportionate share of the net pension liability	\$ 147,413	127,274	146,259	153,254
City's covered payroll	\$ 201,770	207,653	218,309	187,519
City's proportionate share of the net pension liability as a percentage of its covered payroll	73.06 %	61.29 %	67.00 %	81.73 %
IPERS' net position as a percentage of the total pension liability	82.90 %	85.45 %	83.62 %	82.21 %

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

2017	2016	2015
0.001940 %	0.001949 %	0.001962 %
122,058	96,268	77,793
146,724	135,001	129,511
83.19 %	71.31 %	60.07 %
81.82 %	85.19 %	87.61 %

CITY OF GLADBROOK
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
Other Information

		2021	2020	2019	2018	2017
Statutorily required contribution	\$	15,394	19,230	19,883	19,898	16,898
Contributions in relation to the statutorily required contribution		(15,394)	(19,230)	(19,883)	(19,898)	(16,898)
Contribution deficiency (excess)	\$	-	-	-	-	-
City's covered payroll	\$	162,924	201,770	207,653	218,309	187,519
Contributions as a percentage of covered payroll		9.45%	9.53%	9.58%	9.11%	9.01%

2016	2015	2014	2013	2012
13,114	12,071	11,575	11,383	10,784
(13,114)	(12,071)	(11,575)	(11,383)	(10,784)
-	-	-	-	-
146,724	135,001	129,511	131,340	133,409
8.94%	8.94%	8.94%	8.67%	8.08%

CITY OF GLADBROOK
Notes to Other Information – Pension Liability
Year Ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted probability of the vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

CITY OF GLADBROOK
Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2021

		Special	
	Employee	Local	
	Benefits	Option	Emergency
		Sales Tax	Services
Receipts:			
Property tax	\$ 51,999	-	6,430
Local option sales tax	-	75,879	-
Other city tax	932	-	115
Use of money and property	-	-	-
Miscellaneous	-	-	-
Total receipts	52,931	75,879	6,545
Disbursements:			
Operating:			
Culture and recreation	-	-	-
Total disbursements	-	-	-
Excess of receipts over disbursements	52,931	75,879	6,545
Other financing uses:			
Transfers out	(52,931)	(75,879)	(6,545)
Change in cash balances	-	-	-
Cash balances beginning of year	-	4,251	-
Cash balances end of year	\$ -	4,251	-
Cash Basis Fund Balances			
Restricted for other purposes	\$ -	4,251	-
Total cash basis fund balances	\$ -	4,251	-

Revenue	
Library	Total
-	58,429
-	75,879
-	1,047
186	186
6,305	6,305
6,491	141,846

3,940	3,940
3,940	3,940

2,551	137,906
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-	(135,355)
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2,551	2,551
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19,756	24,007
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22,307	26,558
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22,307	26,558
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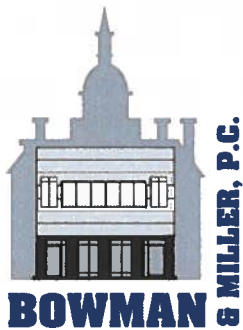
22,307	26,558
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CITY OF GLADBROOK
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Ten Years

	2021	2020	2019	2018
Receipts:				
Property tax	\$ 324,585	314,111	324,192	315,017
Local option sales tax	75,879	-	-	-
Tax increment financing	-	-	-	-
Other city tax	5,809	68,948	70,878	59,322
Intergovernmental	531,594	200,000	205,623	268,629
Licenses and permits	7,260	7,580	6,898	6,574
Charges for service	38,603	53,849	69,438	113,363
Use of money and property	804	4,679	7,539	323
Special assessments	313	234	241	471
Miscellaneous	34,646	84,083	84,265	120,554
Total	\$ 1,019,493	733,484	769,074	884,253
Disbursements:				
Operating:				
Public safety	\$ 156,247	260,686	360,783	323,657
Public works	488,353	169,161	120,120	139,435
Health and social services	2,125	2,125	1,996	2,153
Culture and recreation	52,859	57,406	61,867	58,378
Community and economic development	11,010	9,373	10,022	69,607
General government	103,983	94,926	94,387	102,154
Debt service	20,000	40,000	40,000	40,000
Capital projects	-	-	6,995	3,878
Total	\$ 834,577	633,677	696,170	739,262

2017	2016	2015	2014	2013	2012
313,627	299,014	289,208	296,897	272,463	256,259
-	-	-	-	-	-
-	-	-	-	187	15,574
72,733	81,063	67,652	66,585	75,207	56,099
341,634	177,250	149,134	148,962	285,907	422,445
6,711	1,145	936	255	210	150
114,255	31,619	41,030	31,903	31,718	46,405
666	964	1,128	1,783	3,599	3,003
1,363	1,122	5,626	872	4,733	1,211
31,885	50,054	587,804	59,470	38,445	125,310
882,874	642,231	1,142,518	606,727	712,469	926,456

286,814	161,888	135,657	139,557	118,719	141,955
138,908	173,971	160,378	100,953	172,028	110,134
200	-	1,276	673	-	-
75,556	46,109	50,185	57,042	55,375	46,874
20,588	9,927	2,934	16,884	3,037	3,847
100,809	79,414	72,125	79,415	76,363	80,726
103,684	105,234	320,861	93,725	93,970	74,113
243,629	97,933	956,781	100,012	203,497	1,175,596
970,188	674,476	1,700,197	588,261	722,989	1,633,245



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Gladbrook, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 20, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Gladbrook's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gladbrook's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gladbrook's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Gladbrook's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-21 to be a material weakness.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Gladbrook's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Gladbrook's Responses to Findings

The City of Gladbrook's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Gladbrook's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Gladbrook during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
August 20, 2021

CITY OF GLADBROOK
Schedule of Findings
Year ended June 30, 2021

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF GLADBROOK

Schedule of Findings

Year ended June 30, 2021

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-21 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Cash – initiating cash receipt and disbursement functions, handling and recording cash and reconciling.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – invoice processing, check writing, mailing, recording, and reconciling.
- (4) Payroll – recordkeeping, preparing and distributing.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response and Corrective Action Planned – We will continue to review and monitor ways to improve segregation of duties.

Conclusion – Response accepted.

CITY OF GLADBROOK

Schedule of Findings

Year ended June 30, 2021

Part III: Other Findings Related to Required Statutory Reporting:

III-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amount budgeted in the public works function before the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This overage was due to disbursements related to the Derecho cleanup. The disbursements were incurred before there was time to do a budget amendment due to the emergency nature of the disaster. We will continue to monitor disbursements in the future to avoid exceeding the budget.

Conclusion – Response accepted.

III-B-21 Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. A disbursement was noted which we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. This disbursement is detailed as follows:

Paid to	Purpose	Amount
Casey's General Store	Gift card for an ambulance volunteer	\$ 100

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by this type of disbursement prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation.

Response – The gift card was purchased to thank a volunteer from another community for helping cover ambulance calls. We will avoid these types of transactions in the future.

Conclusion – Response accepted.

III-C-21 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF GLADBROOK

Schedule of Findings

Year ended June 30, 2021

Part III: Other Findings Related to Required Statutory Reporting (Continued):

III-D-21 **Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Roger Luehring, Council Member, shareholder in Clapsaddle-Garber and Associates	Engineering Services	\$ 5,860
Scott Schmidt, Council Member, partner in MLS Transfer	Trucking, rock and tree removal	13,099
Trudi Scott, Council Member, owner of The DeskTop	Time cards	70

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Roger Luehring and Trudi Scott do not appear to represent conflicts of interest since total transactions with each individual were less than \$6,000 during the year.

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Scott Schmidt may represent a conflict of interest since total transactions exceeded \$6,000 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – These payments were for tree removal and the hauling of brush after the Derecho storm. There was no time to bid the project and there were very limited resources to get the job completed due to the nature of the emergency.

Conclusion – Response accepted.

III-E-21 **Restricted Donor Activity** – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

III-E-21 **Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

III-G-21 **City Council Minutes** – No transactions were found that we believe should have been approved in the City Council minutes but were not.

CITY OF GLADBROOK
Schedule of Findings
Year ended June 30, 2021

Part III: Other Findings Related to Required Statutory Reporting (Continued):

III-H-21 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

However, two certificates of deposit were scheduled to automatically renew on their maturity dates. The City's bank did not renew the certificates of deposit and the funds have been deposited at the bank earning 0% interest. This interest rate did not meet the minimum rate of interest set by the State Rate Setting Committee. Public fund certificates of deposit shall be renewed at a rate of interest which conforms with current rates for public funds on date of renewal.

Recommendation – The City should seek reimbursement of the interest due on these certificates of deposit. In addition, the City should monitor maturity dates of its' certificates of deposit and be aware of current allowable rates to ensure that at least the minimum allowable rate is received for all investments

Response – We have contacted the bank and they will reimburse us for the unpaid interest due on the certificates of deposit. We will monitor the renewal of the certificates of deposit more closely in the future.

Conclusion – Response accepted.

III-I-21 Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

CITY OF GLADBROOK

Staff

This audit was performed by:

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